

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 IO-13 ISO-00 FEA-01 AGRE-00 CEA-01  
CIAE-00 COME-00 DODE-00 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
/100 W

-----027938 091129Z /12

P 091108Z SEP 77

FM AMEMBASSY BRUSSELS

TO SECSTATE WASHDC PRIORITY 1731

INFO ALL EC CAPITALS

USMISSION GENEVA

C O N F I D E N T I A L SECTION 01 OF 02 BRUSSELS 11443

USEEC

E.O.11652: GDS

TAGS: ETRD, EEC, GATT

SUBJECT: EC COMMISSION GUIDELINES ON TEXTILE AGREEMENT  
NEGOTIATIONS

REF: (A) BRUSSELS 8959, (B) BRUSSELS 11406

1. EC COMMISSION APPROVED ON SEPTEMBER 7 A SET OF  
GUIDELINES WHICH IT PROPOSES TO FOLLOW IN NEGOTIATING  
BILATERAL TEXTILE AGREEMENTS WITH MORE THAN 20 EXPORT-  
ING COUNTRIES BETWEEN NOW AND END OF NOVEMBER. COMMIS-  
SION PAPER CALLS FOR RENEWAL OF MFA WITHOUT CHANGE IN  
DECEMBER, THROUGH ACCESSION TO PROTOCOL DRAWN UP ON  
BASIS OF PAPER 44 PRESENTED IN TEXTILES COMMITTEE  
MEETING IN GENEVA ON JULY 24, IF SUBSTANCE OF EC  
NEGOTIATING OBJECTIVES HAVE BEEN MET BY THAT TIME.  
COMMISSION GUIDELINES NEED TO BE APPROVED BY THE EC  
COUNCIL BEFORE NEGOTIATIONS CAN BEGIN. MISSION HAS  
OBTAINED TEXT OF THESE GUIDELINES, WHICH REMAINS AN  
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INTERNAL, CONFIDENTIAL EC DOCUMENT. TEXT BEING  
POUCHED TO EB/OT - JACK ST. JOHN AND USMISSION GENEVA -  
HARRY PHELAN.

2. MISSION OFFICER DISCUSSED COMMISSION STRATEGY ON  
BILATERAL NEGOTIATIONS WITH DG-I SPECIAL REPRESENTA-  
TIVE FOR TEXTILE NEGOTIATIONS TRAN VAN THINH AND

DG-I OFFICIAL ALASTAIR SUTTON ON SEPTEMBER 8. ACCORDING TO THESE OFFICIALS, COMMISSION SCHEDULE OUTLINED IN REF A WITH RESPECT TO BILATERAL NEGOTIATIONS CONTINUES TO HOLD. NEXT STEP WILL BE TO PRESENT GUIDELINES TO FOREIGN MINISTERS COUNCIL DURING SESSION OF SEPTEMBER 19-20 AND TO OBTAIN FINAL COUNCIL APPROVAL AS EARLY AS POSSIBLE IN OCTOBER. (NEXT FOREIGN MINISTERS COUNCIL IS SCHEDULED FOR OCTOBER 17-18 BUT PROCEDURES EXIST FOR EARLIER APPROVAL IF MEMBER STATES ARE IN AGREEMENT.) IN PREPARATION FOR COUNCIL DISCUSSION, COMMISSION HAS BEGUN INTENSIVE SERIES OF MEETINGS WITH MEMBER STATE DELS IN COREPER MECHANISM. TRAN EXPRESSED CONSIDERABLE SATISFACTION THAT COMMISSION PLAN REMAINS ON SCHEDULE AND SAID THAT MEMBER STATES HAD BEEN SURPRISED THAT COMMISSION TEXTILE OFFICIALS HAD ACTUALLY WORKED THROUGH AUGUST HOLIDAY PERIOD. HE IS CONFIDENT THAT COMMISSION HAS REGAINED INITIATIVE FROM MEMBER STATES ON TEXTILE POLICY AND WILL BE ABLE TO KEEP IT.

3. TRAN INDICATED THAT COMMISSION HAD COMPLETED INITIAL CONTACTS IN CAPITALS OF MAJOR LDC EXPORTERS. PURPOSE OF THESE TRIPS WAS TO INFORM THEM OF SERIOUSNESS OF PURPOSE OF EC IN SEEKING TO OBTAIN MORE RESTRICTIVE GROWTH OF TEXTILE IMPORTS. TRAN INDICATED HIS BELIEF THAT LDC'S HAD GOT THE MESSAGE, SEEMING TO UNDERSTAND THAT EC CONFIDENTIAL

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MEMBER STATE PRESSURE FOR IMPORT RESTRICTIONS ALLOWED LITTLE ROOM FOR NEGOTIATION OF LEVELS PROPOSED BY COMMISSION. IN MORE SPECIFIC TERMS, THIS MEANS USE OF 1976 EC IMPORTS FROM ALL THIRD COUNTRIES "EXCEPT INDUSTRIALIZED, MARKET ECONOMY COUNTRIES" AS A STARTING POINT FOR ALLOCATING QUOTAS, INCLUDING GROWTH FACTOR, FOR 1978 AND SUBSEQUENT YEARS. TRAN SAID THAT SEVERAL LDC'S HAD EXPRESSED UNHAPPINESS THAT US EXPORTS WERE TO BE EXCLUDED FROM THE EC'S GLOBAL STABILIZATION APPROACH. IN RESPONSE TO A QUESTION, TRAN CONFIRMED THAT IN THE CASES OF HONG KONG, KOREA AND TAIWAN ONLY, AND FOR CERTAIN PRODUCTS ONLY, THE COMMISSION WOULD BE SEEKING A REDUCTION IN 1976 IMPORT LEVELS. ALTHOUGH COMMISSION GUIDELINES REFER TO SEVERAL STATISTICAL ANNEXES, ONLY ONE OF THESE, LISTING COUNTRIES WITH WHOM AGREEMENTS WILL BE SOUGHT, IS INCLUDED. TRAN SAID THAT COMMISSION WILL RESIST PRESENTING OTHERS, WHICH WOULD GIVE ACTUAL FIGURES TO BE SOUGHT IN EACH BILATERAL, TO COUNCIL SO AS TO AVOID PITFALL OF PAST COMMUNITY TEXTILE POLICY, IN WHICH COMMISSION NEEDED TO IN EFFECT NEGOTIATE WITH ITS OWN MEMBER STATES BEFORE IT COULD APPROACH LDC'S. COMMISSION APPROACH WOULD

DIVIDE TEXTILE IMPORTS INTO FOUR CATEGORIES DEFINED  
IN GUIDELINES AS FOLLOWS:

QUOTE: THE FIRST GROUP COMPRISES PRODUCTS WHICH ARE  
HIGHLY SENSITIVE, BOTH ECONOMICALLY AND POLITICALLY,  
FOR THE WHOLE OF THE COMMUNITY AND HAVE ALREADY BEEN  
RECOGNIZED AS SUCH BY THE COUNCIL. THE PENETRATION  
RATE FOR THIS GROUP OF PRODUCTS WILL BE STABILIZED AS  
STRICTLY AS POSSIBLE, AND THE IMPORT GROWTH RATE WILL  
BE LINKED TO THE ESTIMATED GROWTH IN INTERNAL CON-  
SUMPTION. THE AVERAGE ANNUAL GROWTH RATE FOR ALL  
THESE PRODUCTS WILL BE BETWEEN 1 AND 2 PERCENT.

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/100 W

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THE SECOND GROUP CONTAINS OTHER PRODUCTS WHICH ARE  
HIGHLY SENSITIVE AND FOR WHICH PENETRATION RATE IS  
GREATER THAN 20 PERCENT AT COMMUNITY LEVEL. THE ANNUAL  
GROWTH RATE FOR THE TOTALITY OF THE PRODUCTS OF THIS  
GROUP WILL BE AROUND 4 PERCENT.

THE THIRD GROUP CONSISTS OF SENSITIVE PRODUCTS FOR WHICH  
THE OVERALL GROWTH RATE WILL BE APPROXIMATELY 6 PERCENT  
PER YEAR. THE PRODUCTS IN THIS GROUP ARE THOSE WITH AN  
IDENTIFIED PENETRATION RATE OF BETWEEN 5 AND 20 PERCENT,  
AND ALSO PRODUCTS WHICH, ALTHOUGH THEY HAVE A HIGHER  
PENETRATION RATE, ARE IMPORTED FROM ONLY ONE OR TWO  
SUPPLIERS. FOR THIS LAST CATEGORY OF PRODUCTS THE  
INDIVIDUAL ANNUAL GROWTH RATE MAY BE BELOW 6 PERCENT.

THE FINAL GROUP COMPRISES ALL OTHER PRODUCTS LISTED IN THE FIRST PART OF ANNEX II, WITH AN IDENTIFIED OR ESTIMATED PENETRATION RATE OF BELOW 5 PERCENT. THE ANNUAL GROWTH RATE FOR THIS GROUP AS A WHOLE WILL BE ABOVE 6 PERCENT.

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ANNUAL COMMUNITY GROWTH RATE OF 6 PERCENT WILL BE ACCORDED TO THE TOTALITY OF THESE PRODUCTS. END QUOTE.

4. TRAN INDICATED THAT THE COMMISSION PLANS TO CONDUCT ALL OF THE BILATERAL NEGOTIATIONS IN BRUSSELS IN OCTOBER AND NOVEMBER. HE NOTED THAT COMMISSION GUIDELINES STATE CATEGORICALLY THAT NEGOTIATIONS WITH THE LDC'S MUST START IN OCTOBER AND THAT "THIS MEANS THAT THE COUNCIL WILL NEED TO GIVE TOP PRIORITY TO EXAMINING THESE DIRECTIVES SO THAT THEY CAN BE ADOPTED BEFORE THE END OF SEPTEMBER. NO OTHER TIMETABLE IS POSSIBLE." ALTHOUGH IN PRACTICAL TERMS, THE COMMISSION IS READY TO WAIT UNTIL EARLY OCTOBER FOR COUNCIL APPROVAL, TRAN STATED THAT ANY OTHER DELAY WOULD MAKE THE COMMISSION TIMETABLE UNATTAINABLE. HE CLAIMED THAT THE COMMISSION'S LEVERAGE VIS-A-VIS THE MEMBER STATES WILL BE A CLEAR WARNING THAT IT WOULD NOT PROPOSE SAFEGUARD MEASURES AS OF JANUARY 1 IN THE ABSENCE OF COUNCIL APPROVAL AS REQUESTED. THIS WOULD MEAN THAT EC TEXTILE IMPORTS WOULD BE GOVERNED NEITHER BY BILATERAL AGREEMENTS NOR BY UNILATERAL EC CONTROLS AS OF THAT DATE. HE AGREED WITH MISSION OFFICER'S CHARACTERIZATION OF SUCH A SITUATION AS A COMMUNITY "CONSTITUTIONAL CRISIS" AND SAID THE COMMISSION IS SERIOUS. TRAN ALSO BRUSHED ASIDE RECENT ALTERCATIONS WITH VARIOUS EXPORTING COUNTRIES (E.G., MOROCCO, KOREA AND INDIA) OVER UNILATERAL RESTRAINTS ADOPTED IN JULY AND AUGUST. HE EXPRESSED UNDERSTANDING OF LDC'S COMPLAINTS AND SAID HE HAD OPPOSED THESE MEASURES IN EC CIRCLES FROM THE BEGINNING AS UNDERMINING LDC FAITH IN EC'S ABILITY TO HONOR COMMITMENTS IT TOOK ON IN ITS AGREEMENTS. IN THIS RESPECT, TRAN ALSO INDICATED THAT THE COMMISSION IS AWARE THAT FRANCE HAS BEEN USING NEW LICENSING

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REQUIREMENT AS A MEANS TO DELAY TEXTILE DELIVERIES. HE SAID THAT THE COMMISSION IS SERIOUS IN WANTING TO PREVENT "THE INTRODUCTION OF NATIONAL MEASURES FOR

OBSTACLES TO TRADE" AS MENTIONED IN COMMISSION PRESS ANNOUNCEMENT (REF B), AND WILL BRING PRESSURE AGAINST FRANCE, INCLUDING LEGALLY IF NECESSARY, NOT TO ABUSE THE LICENSING SYSTEM. LDC'S MUST BE ASSURED THAT COMMISSION AND COMMUNITY ARE ACTING IN GOOD FAITH AND THIS DOES NOT ALLOW FOR CONTINUATION OF SUCH HARASSING TACTICS.

5. TRAN TOOK THIS OCCASION TO REPEAT HIS AND COMMISSION'S GRATITUDE FOR EXTREMELY HELPFUL ASSISTANCE GIVEN BY US TEXTILE NEGOTIATORS AT GENEVA TEXTILE COMMITTEE MEETINGS. HE SAID THAT HE WOULD APPRECIATE OPPORTUNITY TO DISCUSS SITUATION AND SEEK ADVICE FROM TEXTILE NEGOTIATOR SMITH SHOULD LATTER BE IN EUROPE ANY TIME SOON. HINTON

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## Message Attributes

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